



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
FOR: IMMEDIATE RELEASE

DATE: October 11, 2001  
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## **CORPORATION COMMISSION HALTS STATE'S LARGEST VIATICAL OPERATION**

PHOENIX – The Arizona Corporation Commission's Securities Division has ordered Carrington Estate Planning Services, a Scottsdale firm, and its owner, Richard Carrington, to stop selling securities immediately. The Commission alleges multiple fraud and registration violations. Also named in the action is Robert Witt, customer service representative and salesman for Carrington. The firm has been purchasing life insurance policies of terminally ill patients and reselling the death benefits to investors. The investment product is known as a viatical settlement contract.

The Securities Division alleges that Carrington failed to inform investors about his poor track record in providing returns to investors. Instead, investors allegedly were told that viatical investments would produce returns averaging around 12% and as high as 88% with no risk. The investments were promoted as a humanitarian service to people who really needed help in the last days of a terminal illness. The Division also alleges that Carrington was engaged in "clean-sheeting" of some policies, whereby AIDS patients were offered nominal money to apply for insurance policies without revealing that they had AIDS. The policies were then resold to investors, but were cancelled when several insurance companies discovered the fraud.

"Our investigative records show that for the past several years, Carrington operated the largest viatical sales business in Arizona," noted Sharon Fox, Assistant Director of Enforcement at the Commission's Securities Division. At least 630 investors, mostly Arizonans, have invested over \$29 million in various policies. The Division alleges that less than 15% of policies sold to investors ever matured within the time frame predicted by Carrington.

Richard Carrington has been in trouble with authorities before. In 1998, he consented to an Arizona Corporation Commission order and paid a \$10,000 fine for fraud in the sale of promissory notes. Most recently, the state obtained a penalty against Carrington for his contempt of court in refusing to cooperate with an investigation into his viatical business.

Carrington and Witt have 20 days in which to request a hearing to contest the allegations. The Commission is seeking restitution to investors, fines, and a permanent cease and desist order for the alleged violations.

Viatical settlement contracts have been a nationwide problem for securities and insurance regulators for much of the last decade. The North American Securities Administrators Association, a Washington, D.C. regulatory trade group, lists viatical investments as one of this year's top ten problems for North American investors.

Victor Rodarte, Assistant Director of the Securities Division, warns investors to seek out information from the Securities Division before placing money into risky products such as viatical settlement contracts. The only companies allowed to sell viaticals are those that have filed detailed registration or exemption information with the Commission's Securities Division.

Investors may contact the Securities Division by calling 602-542-4242, toll free at 1-877-811-3878, or by visiting the website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us) to find out if a viatical company has registered or has received an exemption from registration.

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